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Marketing Spreads For Turkeys in Selected Cities

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MARKETING SPREADS FOR TURKEYS IN SELECTED CITIES 1/

Farm-retail spreads for medium turkeys in five major cities in the United States averaged 9 percent wider in the heavy marketing season, October-December, of 1960 than a year earlier. All of the increase was the result of a rise in retail store spreads, which are influenced largely by retail store pricing policies. The spread between prices paid by retailers and received by farmers decreased. Except for one year, the farm-retailer spread has decreased annually since 1956. This downward trend probably was due to: (1) Concentrations of turkey processing in fewer but larger plants, (2) movements toward more complete vertical integration or market coordination in the turkey industry, and (3) innovations in equipment and technology which reduced costs. Year-to-year fluctuations in the retail store spread, however, have resulted in similar fluctuations in the total farm-retail spread.

Farm-retail spreads for medium turkeys in five major United States cities--Boston, Chicago, Los Angeles, New York, and St. Louis--averaged 17.8 cents a pound in October-December 1960--an increase of 1.5 cents from 1959 (table 14). 2/ Similar spreads for large turkeys were 21.1 cents a pound in 1960, 3.5 cents wider than in 1959. 3/ During the fourth quarter of 1960, farm-retail spreads on medium turkeys narrowed from 19.8 cents a pound, in October to 15.1 cents in December. This decline was due mostly to a drop in retail store spreads, from 10.0 cents a pound, in October to 6.1 cents in December.

Elements of the Spread

Fourth-quarter retail store spreads have fluctuated considerably from year to year since 1956, the first year for which complete data were available (fig. 3). Five-city average retail store spreads for the last five seasons show no consistency either as absolute or percentage markups over prices paid by retailers. Year-to-year changes in retail prices often were inconsistent with changes in prices at other market levels.

These changes in retail store spreads for turkeys reflect the influence of retail store pricing policies on consumer prices. Retailers are interested primarily in

1/ Prepared by Leo R. Gray, agricultural economist, Marketing Economics Division, Economic Research Service.

2/ The farm-retail price spread is the difference between the retail selling price per pound and the farm-value or payment farmers receive for the equivalent quantity of live turkey. The retail store spread is the difference between the retail selling price and the price paid by the retailer. The farm-retailer spread is the difference between the price paid by the retailer and the farm value.

3/ For a more detailed presentation of data for 1959 see: Gray, Leo R., "Marketing Spreads for Turkeys in Selected Cities," The Marketing and Transportation Situation, July 1960, pp. 19-24.

Table 14.--Turkeys, medium and large: Price spreads and prices per pound, ready-to-cook basis, at various market levels, selected cities, averages October-December 1956-60

Size of turkey, 1/ year, and city	Price spreads					Prices			
	Farm-retail	Retail-store	Farm-retailer spread: Total	Farm-retailer spread: Receiver-retailer	Farm-retailer spread: Farm-receiver	Retail	To retailers	To city receivers 2/	Farm value 3/
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Medium turkeys:									
5-city average 4/									
1960	5/17.8	5/8.5	9.3	2.6	6.7	5/54.0	45.5	42.9	36.2
1959	16.3	6/5.9	6/10.4	6/3.1	6/7.3	50.7	6/44.8	6/41.7	34.4
1958	21.8	6/10.0	6/11.8	6/3.1	6/8.7	52.6	6/42.6	6/39.5	30.8
1957	18.3	6/6.6	6/11.7	6/2.6	6/9.1	49.7	6/43.1	6/40.5	31.4
1956	22.0	6/9.6	6/12.4	6/2.8	6/9.6	55.8	6/46.2	6/43.4	33.8
Individual cities, 1960									
Boston	18.5	10.6	7.9	1.9	6.0	54.6	44.0	42.1	36.1
Chicago	15.7	5.2	10.5	3.2	7.3	51.9	46.7	43.5	36.2
Los Angeles	18.2	9.2	9.0	2.5	6.5	54.5	45.3	42.8	36.3
New York	5/18.3	5/8.9	9.4	2.1	7.3	5/54.5	45.6	43.5	36.2
St. Louis	18.3	8.5	9.8	3.5	6.3	54.5	46.0	42.5	36.2
Atlanta	18.9	7.8	11.1	4.9	6.2	55.1	47.3	42.4	36.2
Baltimore	21.4	11.5	9.9	3.0	6.9	57.5	46.0	43.0	36.1
Cleveland	19.9	9.1	10.8	2.5	8.3	56.0	46.9	44.4	36.1
San Francisco	21.0	10.4	10.6	5.3	5.3	57.3	46.9	41.6	36.3
Washington, D. C.	22.9	12.3	10.6	2.8	7.8	59.1	46.8	44.0	36.2
Large turkeys:									
5-city average 4/									
1960	5/21.1	5/9.4	11.7	2.7	9.0	5/51.5	42.1	39.4	30.4
1959	5/17.6	5/6/3.3	6/14.3	7/	7/	5/49.2	6/45.9	7/	31.6
1958	21.6	6/8.6	6/13.0	6/2.8	10.2	47.3	6/38.7	6/35.9	25.7
1957	20.8	6/7.4	6/13.4	6/2.6	10.8	45.3	6/37.9	6/35.3	24.5
1956	21.8	6/8.3	6/13.5	6/2.8	10.7	52.9	6/44.6	6/41.8	31.1
Individual cities, 1960									
Boston	5/26.1	5/14.0	12.1	2.6	9.5	5/56.4	42.4	39.8	30.3
Chicago	20.5	7.2	13.3	3.3	10.0	50.5	43.3	40.0	30.0
Los Angeles	19.4	9.9	9.5	2.5	7.0	50.1	40.2	37.7	30.7
New York	5/19.3	5/7.0	12.3	2.0	10.3	5/49.8	42.8	40.8	30.5
St. Louis	20.5	8.9	11.6	3.1	8.5	50.8	41.9	38.8	30.3
Atlanta	7/	7/	14.4	4.0	10.4	7/	44.8	40.8	30.4
Baltimore	7/	7/	5/12.7	3.1	5/9.6	7/	43.0	39.9	5/30.3
Cleveland	5/24.7	5/11.9	12.8	3.3	9.5	5/54.9	43.0	39.7	30.2
San Francisco	5/21.2	5/6.5	14.7	3.8	10.9	5/51.9	45.4	41.6	30.7
Washington, D. C.	24.0	11.7	12.3	2.2	10.1	54.4	42.7	40.5	30.4

1/ Turkey size weight ranges are: Medium -- 8 to 16 pounds, and large -- more than 16 pounds.
2/ City receiver prices in Chicago, Los Angeles, and New York are wholesale selling prices but in the other 7 cities are f.o.b. delivered city prices.
3/ Farm value is the payment received by producers for the quantity of live turkey equivalent to 1 pound of ready-to-cook turkey. These values are weighted averages computed from prices reported in major commercial turkey producing areas such as San Joaquin Valley, Shenandoah Valley, and the Midwest supplying the designated cities.
4/ 5-city average includes Boston, Chicago, Los Angeles, New York, and St. Louis.
5/ Estimated from data for less than 3 months.
6/ Revised.
7/ Insufficient data.

Compiled from retail prices collected by the Bureau of Labor Statistics and from prices to retailers, city receiver prices, and prices received by farmers collected by Federal and State market news services.

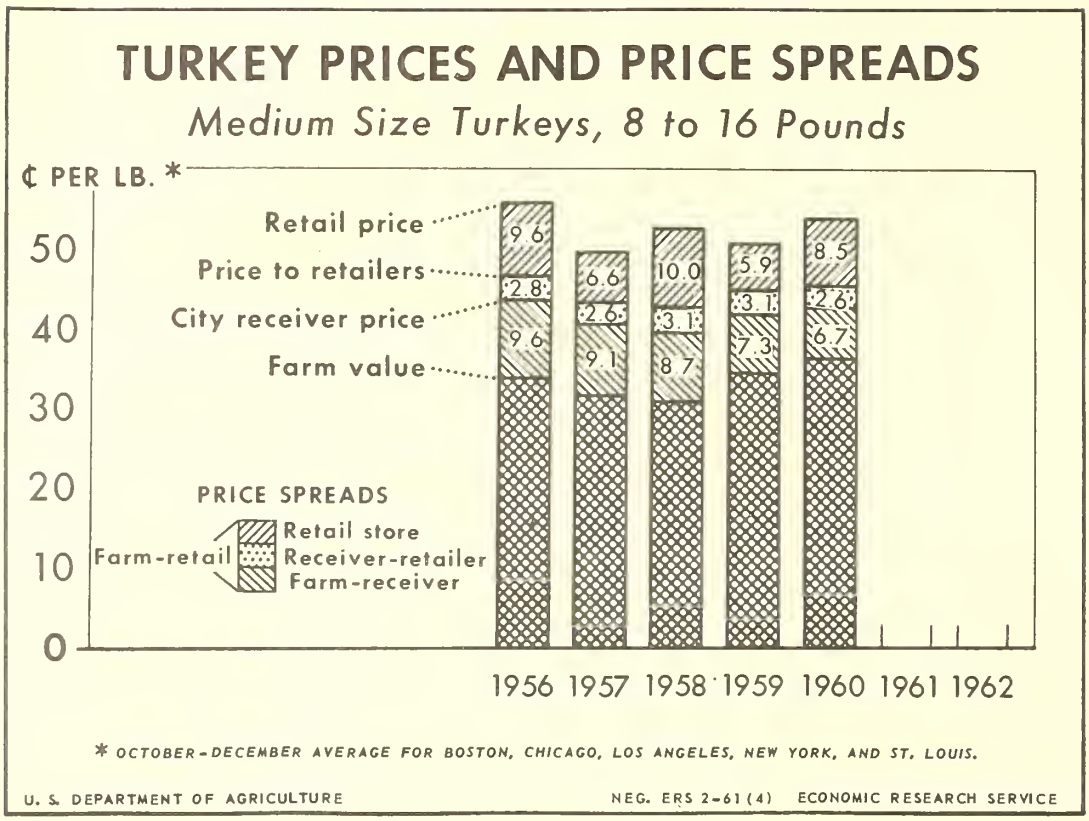

Figure 3.

achieving certain overall markup goals for their entire operation. They usually make appropriate adjustments in the price spreads of various individual commodity lines, such as turkeys, to help arrive at their overall goal.

Retail store price spreads for medium turkeys among the 10 major United States cities in 1960 were narrowest in Chicago and widest in Washington, D. C. (table 14). Farm-retailer spreads were narrowest in Boston and widest in Atlanta.

Five-city average farm-retailer price spreads for medium turkeys have decreased almost every year since 1956. These decreases were due largely to declines in farm-city receiver spreads. For example, fourth quarter farm-city receiver spreads for medium turkeys marketed in Chicago narrowed 1.8 cents a pound from 1958 to 1960 (table 15). Closer analysis shows that these declines resulted from decreasing farm-to-shipping point spreads, which cover the marketing functions of assembling and processing. Transportation is the major marketing function included in the shipping point-to-city receiver spread.

Table 15.--Turkeys, medium: Price spreads per pound, ready-to-cook basis, between producer in North Central States and Chicago receiver, fourth quarter 1958-1960

Price spread	1960	1959	1958
	Cents	Cents	Cents
Farm-to-Chicago receiver	7.3	7.8	9.1
Farm-to-shipping point	4.9	6.0	7.1
Shipping point-to-Chicago receiver	2.4	1.8	2.0

Possible explanations for the downward movement in farm-city receiver spreads may be: (1) Concentrations of turkey processing in fewer but larger plants; (2) movements toward more complete vertical integration or market coordination in the turkey industry; and (3) innovations in equipment and technology which reduced costs.

Spreads between prices at all market levels averaged wider in the five cities for large turkeys than for medium turkeys in 1960 (table 14). These spreads have not always been wider for large turkeys. Retail store spreads for large turkeys were exceptionally narrow in 1959. Year-to-year changes in price spreads for large turkeys were generally in the same direction as those for medium turkeys. Intercity relations of price spreads for large turkeys differed from those for medium turkeys.

Price Changes

Five-city average prices during October-December were higher for medium turkeys at all market levels in 1960 than in 1959 (table 14). In 1960, prices for medium turkeys increased each month at all market levels except retail. Retail prices increased slightly from October to November, but declined in December. Prices at all market levels during the fourth quarter varied less in 1960 than in 1959.

In contrast with prices of medium turkeys, prices of large turkeys were higher in 1960 than a year earlier, at retail, but lower at other market levels. Retail prices for large turkeys declined each month from October to December 1960. At other market levels, prices for large turkeys declined from October to November, but increased again in December.

Medium turkey prices were higher in 1960 than a year earlier, partly because of shorter supplies of small birds. The shortage was caused by a sharp drop in number of Beltsville turkeys raised in 1960 from the numbers raised in 1959. More heavy-breed turkeys were raised in 1960 than in 1959, but many were slaughtered at light weights to help meet the demand for small birds. Total annual slaughter of all turkeys in commercial processing plants was about 7 percent higher in 1960 than in 1959. Cold storage holdings of turkeys at the beginning of each month were greater from June through December 1960 than for the comparable period of 1959. Other influences on the turkey market in 1960 were the Federal Government, which purchased sizable quantities of turkeys in each of the past 3 years, and exports of more than double the 1959 volume.

Merchandising methods for presenting turkeys to consumers in alternative forms have been developed to increase consumption. These methods include sales of turkey parts, including quartered birds; deboned, rolled turkey; and turkey sausage. Emphasis on sales of turkey meat in these forms probably contributed substantially to the greater proportion of large turkeys in the total turkey crop in recent years.

Newspaper Advertised Prices for Thanksgiving and Christmas

Turkey prices advertised in newspapers by leading supermarkets generally were higher for the Christmas than the Thanksgiving holidays in 1960. These prices for medium turkeys in the five cities averaged 43.5 cents a pound the week before Thanksgiving and about 47.0 cents the week before Christmas; an increase of 3.5 cents. In 1959, Christmas prices were about the same as in 1960, but Thanksgiving prices were about 41.0 cents, thus indicating an increase of approximately 6.0 cents between the holidays.

Prices for large turkeys advertised in newspapers in 1960 were about 38.5 cents at Thanksgiving and 40.5 cents at Christmas. These prices did not increase as much in 1960 as in 1959, when prices were 38.0 cents at Thanksgiving and 45.0 cents at Christmas.

Small turkey prices were mostly 48.0 to 49.0 cents a pound in the five cities for both the 1960 Thanksgiving and Christmas holidays. In 1959 prices at Christmas were also about 48.0 cents, but were nearly 5 cents less at Thanksgiving.

Comparison of Price Spreads for Turkeys and Chickens

Five-city average farm-retail price spreads for October-December 1960 were 2.1 cents a pound less on medium turkeys than on frying chickens (table 16). Compared with farm-retail spreads on frying chickens, similar spreads on medium turkeys were 2.2 cents narrower in 1959, but 0.9 cent wider in 1958. For both medium turkeys and frying chickens, farm-retail price spreads were wider in 1960 than in 1959.

Retail store spreads averaged at least 2.0 cents less on medium turkeys than on frying chickens in the fourth quarters of 1958-1960. Year-to-year fluctuations in retail store spreads were larger for medium turkeys than for frying chickens. Increases in retail store spreads accounted for most of the gain in farm-retail spreads for both commodities.

Farm-retailer spreads were wider for medium turkeys than for frying chickens in 1958 and 1959, but were identical for both commodities in 1960. These spreads narrowed each year for medium turkeys, but widened for frying chickens. Increases in farm-retailer price spreads for frying chickens were due to widening city receiver-retailer spreads.

Farm-city receiver price spreads not only declined for both medium turkeys and frying chickens from 1958 to 1960, but the difference in these spreads between the two commodities narrowed from 2.4 cents a pound in 1958 to 0.9 cent in 1960. Declining farm-city receiver spreads accounted for most of the drop in farm-retailer spreads from 1958 to 1960.

Prices for medium turkeys at various market levels during October-December 1960 were at least 13 cents a pound higher than prices for frying chickens. Prices for frying chickens in the five cities averaged lower during the fourth quarter of 1960 than a year ealier at all levels except retail, but, as previously stated, prices for medium turkeys were higher at all market levels in 1960.

Table 16--Price spreads per pound (ready-to-cook basis) for medium size turkeys and frying chickens, averages for five large cities, October-December, 1958-1960 1/

Spread	Medium turkeys			Frying chickens		
	1960	1959	1958	1960	1959	1958
	Cents	Cents	Cents	Cents	Cents	Cents
Farm-retail	17.8	16.3	21.8	19.9	18.5	20.9
Retail store	8.5	2/ 5.9	2/10.0	10.6	9.6	12.1
Farm-retailer	9.3	2/10.4	2/11.8	9.3	8.9	8.8
Receiver-retailer	2.6	2/ 3.1	2/ 3.1	3.5	2.9	2.5
Farm-receiver	6.7	2/ 7.3	2/ 8.7	5.8	6.0	6.3

1/ The five cities are: Boston, Chicago, Los Angeles, New York, and St. Louis.
2/ Revised.

Growth Through Agricultural Progress